THE Freeman

IDEAS ON LIBERTY

DECEMBER 1962

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Volume IX

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THE Freeman

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HENRY HAZLITT

the Free Market

WHEN WE DISCUSS "economic planning," we must be clear concerning what it is we are talking about. The real question being raised is not: plan or no plan? but *whose* plan?

Each of us, in his private capacity, is constantly planning for the future: what he will do the rest of today, the rest of the week, or on the weekend; what he will do this month or next year. Some of us are planning, though in a more general way, ten or twenty years ahead.

We are making these plans both in our capacity as consumers and as producers. Employees are either planning to stay where they are, or to shift from one job to another, or from one company to another, or from one city to another, or even from one career to another. Entrepreneurs are either planning to stay in one location or to move to another, to expand or contract their operations, to stop making a product for which they think demand is dying and to start making one for which they think demand is going to grow.

Now the people who call themselves "Economic Planners" either ignore or by implication deny all this. They talk as if the world of private enterprise, the free market, supply, demand, and competition, were a world of chaos and anarchy, in which nobody ever planned ahead or looked ahead, but merely drifted or staggered along. I once engaged in a television debate with an eminent Planner in a high official position who implied that without his forecasts and guidance American business would be "flying blind." At best, the Planners imply, the world of private enterprise is one in which everybody works or plans at cross

Mr. Hazlitt is the well-known economic analyst, author, and speaker. This article is reprinted by permission from an address at the 1962 meeting of the Mont Pelerin Society in Knokke, Belgium.

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purposes or makes his plans solely in his "private" interest rather than in the "public" interest.

Now the Planner wants to substitute his *own* plan for the plans of everybody else. At best, he wants the *government* to lay down a Master Plan to which everybody else's plan must be subordinated.

It Involves Compulsion

It is this aspect of Planning to which our attention should be directed: Planning always involves *compulsion*. This may be disguised in various ways. The government Planners will, of course, try to persuade people that the Master Plan has been drawn up for their own good, and that the only persons who are going to be coerced are those whose plans are "not in the public interest."

The Planners will say, in the newly fashionable phraseology, that their plans are not "imperative," but merely "indicative." They will make a great parade of "democracy," freedom, cooperation, and noncompulsion by "consulting all groups"—"Labor," "Industry," the Government, even "Consumers Representatives"— in drawing up the Master Plan and the specific "goals" or "targets." Of course, if they could really succeed in giving everybody his proportionate weight and voice and freedom of choice, if everybody were allowed to pursue the plan of production or consumption of specific goods and services that he had intended to pursue or would have pursued anyway, then the whole Plan would be useless and pointless, a complete waste of energy and time. The Plan would be meaningful only if it forced the production and consumption of *different* things or different quantities of things than a free market would have provided. In short, it would be meaningful only insofar as it put compulsion on *somebody* and forced some change in the pattern of production and consumption.

There are two excuses for this coercion. One is that the free market produces the *wrong* goods, and that only government Planning and direction could assure the production of the "right" ones. This is the thesis popularized by J. K. Galbraith. The other excuse is that the free market does not produce *enough* goods, and that only government Planning could speed things up. This is the thesis of the apostles of "economic growth."

The "Five-Year Plans"

Let us take up the "Galbraith" thesis first. I put his name in quotation marks because the thesis long antedates his presentation of it. It is the basis of all the communist "Five-Year Plans" which

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are now aped by a score of socialist nations. While these Plans may consist in setting out some general "overall" percentage of production increase, their characteristic feature is rather a whole network of specific "targets" for specific industries: there is to be a 25 per cent increase in steel capacity, a 15 per cent increase in cement production, a 12 per cent increase in butter and milk output, and so forth.

There is always a strong bias in these Plans, especially in the communist countries, in favor of heavy industry, because it gives increased power to make war. In all the Plans, however, even in noncommunist countries, there is a strong bias in favor of industrialization, of heavy industry as against agriculture, in the belief that this necessarily increases real income faster and leads to greater national self-sufficiency. It is not an accident that such countries are constantly running into agricultural crises and food famines.

But the Plans also reflect either the implied or explicit moral judgments of the government Planners. The latter seldom plan for an increased production of cigarettes or whisky, or, in fact, for any so-called "luxury" item. The standards are always grim and puritanical. The word "austerity" makes a chronic appearance. Consumers are told that they must "tighten their belts" for a little longer. Sometimes, if the last Plan has not been too unsuccessful, there is a little relaxation: consumers can, perhaps, have a few more motor cars and hospitals and playgrounds. But there is almost never any provision for, say, more golf courses or even bowling alleys. In general, no form of expenditure is approved that cannot be universalized, or at least "majoritized." And such so-called luxury expenditure is discouraged, even in a so-called "indicative" Plan, by not allowing access by promoters of such projects to bank credit or to the capital markets. At some point government coercion or compulsion comes into play.

"The Nation" Cannot Afford It

This disapproval and coercion may rest on several grounds. Nearly all "austerity" programs stem from the belief, not that the person who wants to make a "luxury" expenditure cannot afford it, but that "the nation" cannot afford it. This involves the assumption that, if I set up a bowling alley or patronize one, I am somehow depriving my fellow citizens of more necessary goods or services. This would be true only on the assumption that the proper thing to do is to tax my so-called surplus income away from me and

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turn it over to others in the form of money, goods, or services. But if I am allowed to keep my "surplus" income, and am forbidden to spend it on bowling alleys or on imported wine and cheese, I will spend it on something else that is not forbidden. Thus when the British austerity program after World War II prevented an Englishman from consuming imported luxuries, on the ground that "the nation" could not afford the "foreign exchange" or the "unfavorable balance of payments," officials were shocked to find that the money was being squandered on football pools or dog races. And there is no reason to suppose, in any case, that the "dollar shortage" or the "unfavorable balance of payments" was helped in the least. The austerity program, insofar as it was not enforced by higher income taxes, probably cut down potential exports as much as it did potential imports; and insofar as it was enforced by higher income taxes, it discouraged exports by restricting and discouraging production.

But we come now to the specific Galbraith thesis, growing out of the agelong bureaucratic suspicion of luxury spending, that consumers generally do not know how to spend the income they have earned; that they buy whatever advertisers tell them to buy; that consumers are, in short, boobs and suckers, chronically wasting their money on trivialities, if not on absolute junk. The bulk of consumers also, if left to themselves, show atrocious taste, and crave cerise automobiles with ridiculous tailfins.

Bureaucratic Choice

The natural conclusion from all this – and Galbraith does not hesitate to draw it – is that consumers ought to be deprived of freedom of choice, and that government bureaucrats, full of wisdom – of course, of a very *un*conventional wisdom – should make their consumptive choices for them. The consumers should be supplied, not with what they themselves want, but with what bureaucrats of exquisite taste and culture think is good for them. And the way to do this is to tax away from people all the income they have been foolish enough to earn above that required to meet their bare necessities, and turn it over to the bureaucrats to be spent in ways in which the latter think would really do people the most good – more and better roads and parks and playgrounds and schools and television programs – all supplied, of course, by government.

And here Galbraith resorts to a neat semantic trick. The goods and services for which people vol-

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untarily spend their own money make up, in his vocabulary, the "private sector" of the economy, while the goods and services supplied to them by the government, out of the income it has seized from them in taxes, make up the "public sector." Now the adjective "private" carries an aura of the selfish and exclusive, the inward-looking, whereas the adjective "public" carries an aura of the democratic, the shared, the generous, the patriotic, the outward-looking – in brief, the public-spirited. And as the tendency of the expanding welfare state has been, in fact, to take out of private hands and more and more take into its own hands provision of the goods and services that are considered to be most essential and most edifying – roads and water supply, schools and hospitals and scientific research, education, old-age insurance and medical care – the tendency must be increasingly to associate the word "public" with everything that is really necessary and laudable, leaving the "private sector" to be associated merely with the superfluities and capricious wants that are left over after everything that is really important has been taken care of.

If the distinction between the two "sectors" were put in more neutral terms – say, the "private sector" versus the "governmental sector," the scales would not be so heavily weighted in favor of the latter. In fact, this more neutral vocabulary would raise in the mind of the hearer the question whether certain activities now assumed by the modern welfare state do legitimately or appropriately come within the governmental province. For Galbraith's use of the word "sector," "private" or "public," cleverly carries the implication that the public "sector" is legitimately not only whatever the government has already taken over but a great deal besides. Galbraith's whole point is that the "public sector" is "starved" in favor of a "private sector" overstuffed with superfluities and trash.

Voluntary versus Coercive

The true distinction, and the appropriate vocabulary, however, would throw an entirely different light on the matter. What Galbraith calls the "private sector" of the economy is, in fact, the *voluntary* sector; and what he calls the "public sector" is, in fact, the *coercive* sector. The voluntary sector is made up of the goods and services for which people voluntarily spend the money they have earned. The coercive sector is made up of the goods and services that are provided, regardless of the wishes of the individual, out

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of the taxes that are seized from him. And as this sector grows at the expense of the voluntary sector, we come to the essence of the welfare state. In this state nobody pays for the education of his own children but everybody pays for the education of everybody else's children. Nobody pays his own medical bills, but everybody pays everybody else's medical bills. Nobody helps his own old parents, but everybody else's old parents. Nobody provides for the contingency of his own unemployment, his own sickness, his own old age, but everybody provides for the unemployment, sickness, or old age of everybody else. The welfare state, as Bastiat put it with uncanny clairvoyance more than a century ago, is the great fiction by which everybody tries to live at the expense of everybody else.

This is *not only* a fiction; it is bound to be a failure. This is sure to be the outcome whenever effort is separated from reward. When people who earn more than the average have their "surplus," or the greater part of it, seized from them in taxes, and when people who earn less than the average have the deficiency, or the greater part of it, turned over to them in handouts and doles, the production of all must sharply decline; for the energetic and able lose their incentive to produce more than the average, and the slothful and unskilled lose their incentive to improve their condition.

The Growth Planners

I have spent so much time in analyzing the fallacies of the Galbraithian school of economic Planners that I have left myself little in which to analyze the fallacies of the Growth Planners. Many of their fallacies are the same; but there are some important differences.

The chief difference is that the Galbraithians believe that a free market economy produces too much (though, of course, they are the "wrong" goods), whereas the Growthmen believe that a free market economy does not produce nearly enough. I will not here deal with all the statistical errors, gaps, and fallacies in their arguments, though an analysis of these alone could occupy a fat book. I want to concentrate on their idea that some form of government direction or coercion can by some strange magic increase production above the level that can be achieved when everybody enjoys economic freedom.

For it seems to me self-evident that when people are free, production tends to be, if not maximized, at least optimized. This is because, in a system of free markets and private property, everybody's re-

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ward tends to equal the value of his production. What he gets for his production (and is allowed to keep) is in fact what it is worth in the market. If he wants to double his income in a single year, he is free to try – and may succeed if he is able to double his production in a single year. If he is content with the income he has – or if he feels that he can only get more by excessive effort or risk – he is under no pressure to increase his output. In a free market everyone is free to maximize his satisfactions, whether these consist in more leisure or in more goods.

But along comes the Growth Planner. He finds by statistics (whose trustworthiness and accuracy he never doubts) that the economy has been growing, say, only 2.8 per cent a year. He concludes, in a flash of genius, that a growth rate of 5 per cent a year would be faster. How does he propose to achieve this?

What Rate of Growth?

There is among the Growth Planners a profound mystical belief in the power of words. They declare that they "are not satisfied" with a growth rate of a mere 2.8 per cent a year; they demand a growth rate of 5 per cent a year. And once having spoken, they act as if half the job had already been done. If they did not assume this, it would be impossible to explain the deep earnestness with which they argue among themselves whether the growth rate "ought" to be 4 or 5 or 6 per cent. (The only thing they always agree on is that it ought to be greater than whatever it actually is.) Having decided on this magic overall figure, they then proceed either to set specific targets for specific goods (and here they are at one with the Russian Five-Year Planners) or to announce some general recipe for reaching the overall rate.

But why do they assume that setting their magic target rate will increase the rate of production over the existing one? And how is their growth rate supposed to apply as far as the individual is concerned? Is the man who is already making $50,000 a year to be coerced into working for an income of $52,500 next year? Is the man who is making only $5,000 a year to be forbidden to make more than $5,250 next year? If not, what is gained by making a specific "annual growth rate" a governmental "target"? Why not just permit or encourage everybody to do his best, or make his own decision, and let the average "growth" be whatever it turns out to be?

The way to get a maximum rate of "economic growth"– assuming this to be our aim – is to give max-

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imum encouragement to production, employment, saving, and investment. And the way to do this is to maintain a free market and a sound currency. It is to encourage profits, which must in turn encourage both investment and employment. It is to refrain from oppressive taxation that siphons away the funds that would otherwise be available for investment. It is to allow free wage rates that permit and encourage full employment. It is to allow free interest rates, which would tend to maximize saving and investment.

The Wrong Policies

The way to *slow down* the rate of economic growth is, of course, precisely the opposite of this. It is to discourage production, employment, saving, and investment by incessant interventions, controls, threats, and harassment. It is to frown upon profits, to declare that they are excessive, to file constant antitrust suits, to control prices by law or by threats, to levy confiscatory taxes that discourage new investment and siphon off the funds that make investment possible, to hold down interest rates artificially to the point where real saving is discouraged and malinvestment encouraged, to deprive employers of genuine freedom of bargaining, to grant excessive immunities and privileges to labor unions so that their demands are chronically excessive and chronically threaten unemployment – and then to try to offset all these policies by government spending, deficits, and monetary inflation. But I have just described precisely the policies that most of the fanatical Growthmen advocate.

Their recipe for inducing growth always turns out to be – inflation. This does lead to the *illusion* of growth, which is measured in their statistics in monetary terms. What the Growthmen do not realize is that the magic of inflation is always a short-run magic, and quickly played out. It can work temporarily and under special conditions – when it causes prices to rise faster than wages and so restores or expands profit margins. But this can happen only in the early stages of an inflation which is not expected to continue. And it can happen even then only because of the temporary acquiescence or passivity of the labor union leaders. The consequences of this short-lived paradise are malinvestment, waste, a wanton redistribution of wealth and income, the growth of speculation and gambling, immorality and corruption, social resentment, discontent and upheaval, disillusion, bankruptcy, increased governmental controls, and eventual collapse.

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This year's euphoria becomes next year's hangover. Sound long-run growth is always retarded.

In Spite of "The Plan"

Before closing, I should like to deal with at least one statistical argument in favor of government Planning. This is that Planning has actually succeeded in promoting growth, and that this can be statistically proved. In reply I should like to quote from an article on economic planning in the *Survey* published by the Morgan Guaranty Trust Company of New York in its issue of June 1962:

"There is no way to be sure how much credit is due the French plans in themselves for that country's impressive 4½ per cent average annual growth rate over the past decade. Other factors were working in favor of growth: a relatively low starting level after the wartime destruction, Marshall Plan funds in the early years, later an ample labor supply siphonable from agriculture and from obsolete or inefficient industries, most recently the bracing air of foreign competition let in by liberalization of import restrictions, the general dynamism of the Common Market, the breakthrough of the consumer as a source of demand. For the fact that France today has a high degree of stability and a strong currency along with its growth, the stern fiscal discipline applied after the devaluation of late 1958 must be held principally responsible.

"That a plan is fulfilled, in other words, does not prove that the same or better results could not have been achieved with a lesser degree of central guidance. Any judgment as to cause and effect, of course, must also consider the cases of West Germany and Italy, which have sustained high growth rates without national planning of the economy."

In brief, statistical estimates of growth rates, even if we could accept them as meaningful and accurate, are the result of so many factors that it is never possible to ascribe them with confidence to any single cause. Ultimately we must fall back upon an a priori conclusion, yet a conclusion that is confirmed by the whole range of human experience: that when each of us is free to work out his own economic destiny, within the framework of the market economy, the institution of private property, and the general rule of law, we will all improve our economic condition much faster than when we are ordered around by bureaucrats. ◈

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THE ALLIANCE FOR PROGRESS MUST FAIL

WILLARD M. FOX

THE ALLIANCE FOR PROGRESS is foredoomed to fail. Both its purpose and its methods are defective. Its analysis of the problem misses the mark, and its proposed solution will only aggravate the situation it is intended to alleviate. The net effect will be disastrous. The waste of billions of dollars exacted from American taxpayers is serious enough, but this is nothing compared to the harm of fanning into flames the smouldering anti-Americanism south of the border. Propaganda for the Alliance has led Latin Americans to expect miracles that are impossible. When these miracles fail to come off, the result must be bitterness and hatred toward those who held forth false promises.

Latin America does have serious problems. Its population is exploding. Far too many people live literally from hand to mouth and go to bed hungry, sleeping on straw or bare dirt floors. Many go barefoot from the cradle to the grave. With a few exceptions, as in Argentina, large numbers of the people are illiterate. Sanitation is neglected and disease abounds.

No Latin American country has a firm tradition of either representative republicanism or parliamentary democracy. None has an electorate capable of making an orderly transfer of power from the "Ins" to the "Outs." Most have bloated bureaucracies of incompetent, corrupt civil servants lacking understanding of the kind of institutional framework essential to a free, industrialized, expanding economy.

Yet, abetted by the Alliance, the Latin American ruling cliques are bent on creating industrialized economies directed by governments. Almost all of them, to the extent that they have any economic philosophy, believe in state planning and direction of the economy. They are inclined to take the word

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for the deed, and to believe that enunciating a grandiose plan is equivalent to executing it.

It is impossible to help people effectively if they will not cooperate. It is doubly impossible to help them if they insist that a request for cooperation is an unwarranted and insufferable interference in their affairs and an impudent and insulting affront to their pride and dignity. This is the insurmountable obstacle.

Latin American powers want United States taxpayers to give them billions of dollars with no strings attached. If we do, the billions will be spent by corrupt and inefficient bureaucrats. If we insist on honest and purposeful spending for basics such as roads, education, water and sewage systems, with controls adequate to minimize graft and insure competent management, we shall be damned for interference in internal affairs, interventionism, and imperialism. Either way, we are going to be even less popular than we are.

Latin American politicians and their advisers are most reluctant to acknowledge the existence of such principles as comparative costs, geographic specialization, and international division of labor. They are loath to admit or accept limitations of their powers. If a thing is technically possible, they are anxious to plan it, do it, and charge it to the American taxpayers. It is technically possible to build Diesel-electric locomotives in any Latin American country. In fact, they are on the list of things the Mexican government wants built in Mexico. There are at least three ways this could be done. The government could set up a wholly owned corporation, just as it set up PEMEX to monopolize the petroleum industry. It could set up a joint venture backed by Mexico's Development Bank, *Nacional Financiera,* with all-Mexican or mixed Mexican and foreign capital and technical assistance and licensing agreements with some firm in the Diesel-electric locomotive business. Or, it could grant a monopoly to some foreign firm like General Motors or General Electric with a contract from its state-owned railroads to insure a profit to the builder. None of these methods makes sense, though each is technically possible. The simple fact is that Mexico does not offer a big enough market for Diesel-electric locomotives to make such an enterprise economically sound.

The Facts about Comparative Costs

There is no question that any country has the naked power within its own borders to undertake a program of industrialization and self-sufficiency. A country such as

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El Salvador or Honduras doubtless could build its own electronics industry and manufacture its own television receivers and large-scale computers. There is also no doubt that United Fruit has the technical skill to grow bananas in Boston, where it has its offices. Nevertheless, the cheapest way for United Fruit to get bananas is to grow them on its plantations in the tropics. The cheapest way for Latin America to get the kind of automobiles its roads and distances require is to buy them from Detroit. No Alliance is going to change these facts of life about comparative costs.

By going along with and even fostering the notion that Latin American countries ought to industrialize and manufacture their own automatic tools and petrochemicals – under obvious disadvantages of economy of scale, comparative costs, and specialization of resources – the Alliance hurts both Latin America and the United States. Far better to let individuals do the things for which they are competent and have natural advantages.

The comparative or absolute natural advantages of Latin Americans are not limited to mining and growing bananas, cotton, coffee, and henequen. They can and do produce various fruits and vegetables not grown in the United States and other countries. They have innumerable forestry and fisheries products. They have large unused pools of potentially industrious labor. They have, or can quickly develop, almost any number of artisans and craftsmen capable of working with simple, low cost tools to turn out products readily marketable in industrial countries.

What Kind of Jobs?

The crying need in Latin America is for jobs, a need that grows as an explosive birth rate and a falling death rate create a larger potential labor force each year. The most acute shortages in Latin America are the lack of imaginative entrepreneurs and the lack of equity capital for them to use. Given this state of affairs, it makes no sense to encourage the development in Latin America of "showcase" industries – in which Latin America has natural disadvantages and which require large capital investments and relatively small numbers of employees. Automobiles, petrochemicals, machine tools, and countless mass production items are best produced in large-scale plants with huge capital investments and highly automated processes. Yet these are the kind of investments that fascinate the political leaders involved in the Alliance for Progress.

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Such projects hurt the citizens of Latin America by diverting available capital from economically sound to economically unsound uses. They also hurt the American citizen, taking from him tax dollars he could otherwise use for his own ends. The Alliance hurts Americans who want to do business in Latin America. It encourages Latin American governments to increase their discrimination against American products which their own citizens want.

By way of the Alliance, we tax ourselves to destroy existing jobs within the United States and to prevent the creation of other jobs. This reduces our own standard of living to no useful or lasting purpose. It is not true, as some labor leaders protest, that the Alliance will "export jobs." Closing Latin American borders to imports from the U.S. means that job opportunities here simply vanish; they are not exported. Products made locally in Latin America at comparatively high cost are sold locally at higher prices than imports command. Thus, Latin Americans have less to spend for other products and must go without some imports they would otherwise buy. The Alliance merely slows down the U.S. economy without helping Latin America.

Proponents of the Alliance for Progress are in the politically awkward position of having made promises that can't be fulfilled, having sown the seeds of bitter disappointments. That the Alliance must fail is daily more evident. What remains to be learned by government officials in Washington and in Latin American countries is that the best hope for the kind of progress useful to individuals is through competitive private enterprise and voluntary exchange – whether within or across political boundaries. ◈

What Is a "Less-Developed" Country?

NO ONE SEEMS SATISFIED with the term "less-developed country" or "under-developed country." It does not exactly mean "poor country," for some comparatively poor countries are progressing rapidly and resent the term. It does not fit the meaning of "countries where development is going on apace," for it is scarcely applied, for instance, to Canada. . . . But among the "less-developed" countries, *as the term is most often used,* almost all have at least one thing in common. They are countries that desire capital but have not yet put into practice the methods of capitalism.

HAROLD FLEMING, *States, Contracts and Progress*

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They aren't like us

EDMUND A. OPITZ

COLLECTIVISTS, in all but a few instances, try to base their case on economic grounds. They call attention to the plight of needy persons or groups and then propose legislation designed to alleviate the situation. Is there a slum? Replace it with a government housing project. Is there a "depressed area"? Build a "defense plant" there. Is X industry in trouble? Give it a subsidy. Does the economy need a shot in the arm? Hand out a veteran's bonus. And so on and so on; the list is endless. Each of the items, however, has something in common with all the others; each one proposes to correct an economic problem by political action. There is no denying, in many instances, that the economic problem alluded to is a genuine problem; at issue is the efficacy of political remedies.

The natural way of tackling economic problems, one would think, is by the use of economic means; and so one calls this point to the attention of the "liberal," the socialist, or the welfare stater. It is wasted effort, for the seed usually falls on barren ground. The economic argument is not hard to follow, and it clearly demonstrates that the economic ends the "liberal" says he wants to attain cannot be reached by the legislative route. This conclusion is buttressed by a brief analysis of the nature of political action, to show its limitations; government has no economic competence. The "liberal" is singularly unmoved; your arguments don't seem to get anywhere near him. He acts as if they dealt with considerations of only incidental in-

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terest to him – and I have been forced to conclude that this is indeed the case! That is to say, the collectivist is only incidentally concerned with the economic plight of this or that person, or even the country at large. He seizes upon economic problems as an excuse for political action, because at our stage in history this is the handiest and most acceptable excuse available. And he undertakes political action to promote his private utopia.

Utopian Dream – Every Cog in Place

The Holy Grail the collectivist pursues is a political vision; he is bemused by the dream of a society running with the smooth precision of a machine – every cog in place, individual performance reduced to routine, novelty eliminated, predictability established. Such is the Brave New World of collectivism; it is a pseudoreligious vision, a down to earth rendering of the Kingdom of Heaven, and its prophets hold out economic considerations merely as a come-along for the populace, and as a rationalization. They are unaffected by rebuttals of their economic arguments because they attach so little importance to economic matters. Only their utopian vision is really vulnerable, but the problem is – to paraphrase an old cliché – that "we are all utopians now."

Former Assumptions

These tentative conclusions are rather recent, so far as I am concerned. Until recently I tended to assume that "liberals" and welfare staters are folks like us – "us" referring to libertarians and conservatives. Our goals, while not identical, were at least compatible. We differed on the question of means, but our differences here were discussible. Therefore, whenever I was buttonholed by a man of the Left, my pitch would run something like this: "You and I are pretty much of one mind on the questions of temporal ends or goals; we desire to see other folks in better circumstances. We would like to see them better housed, better fed, better clothed, and better educated. We'd like to see them healthier, receiving improved medical care, enjoying more leisure, and living in anticipation of a happy old age in a world where the evils of war and poverty are remote. There is more to the truly human life than this, of course, but these are genuine human goods, and they are precisely those ends which many of our contemporaries hope to attain by using government as a means.

"As to the desirability of these ends," I would tell my "liberal" friends, "we have no particular quarrel; where we differ radically is in the realm of means. You be-

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lieve that government is an apt instrument for attaining the aforesaid goals, while I hold that these goals cannot be reached via the political route. That is to say, the nature of the political action is such that government cannot possibly be used as a lever to raise the *general* level of economic, physical, and intellectual well-being. We must, therefore, rely on other means – on men and women in a market economy, working competitively and cooperatively, with government seeing to it that the rules of the game are not being violated."

A Confusion Over Means

The assumption behind this opening gambit of mine is that the great social drift of our time – away from the free society and toward one in which men are inhibited and directed in every sector of their lives – is explicable in terms of a confusion over means. If the way we are traveling is actually the road to serfdom, then – I told myself – it is only because those who are taking us step by step down this road do not realize what awaits us at its end.

The society at the end of the road is regimented; it is operated according to a Plan, and the Plan is imposed by the few at the top on the many at the bottom. Now, planning takes place in every society. In a complex society, such as the one we live in, the number of plans by individuals, groups, and corporations is virtually infinite at any given time. The decision-making process is split up into millions of parts, and there is free choice in profusion. This sort of thing is incompatible with a Planned Society, and so the Planners must prevent people from carrying out many of their private plans. Repressive tactics are used to make people conform to the Plan and some people are hurt thereby.

When this deliberate injury to some people as a matter of public policy is pointed out to the Planners, they offer us, in expiation, some words of Lenin to the effect that you can't make an omelet without breaking a few eggs. This thought, when it is allowed to sink in, carries some unpleasant connotations – even when it is obvious that the egg-breakers actually do have an omelet in mind. But the connotations worsen as the suspicion deepens that perhaps the egg-breakers have no thought of omelets at all! The Plan itself has become their end and goal; they break egg after egg looking for a pearl!

Go back a century or so. Spokesmen for all parties of The Left enunciated their goals in words to which those of us who feel some

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affinity for the Classic Liberal tradition could respond. They said they wanted to abolish poverty, and so do we; they said they wanted to eliminate war, and we, too, favor peace; they aimed at overcoming man's epidemic sense of alienation, and we go along.

The Classic Liberal Remedy

No libertarian could conscientiously undertake a blanket defense of the nineteenth century; and when Karl Marx lit into some of the injustices of his time with the stridency of an Old Testament prophet, he appealed to that sense of fair play which is deeply rooted in our culture. Marx's remedy, however, was an aggravation of the disease because his analysis and diagnosis were so wide of the mark. He was warped by hatreds, and came to regard the market economy as the fountainhead of social evil – a sort of inverse *Deus ex Machina.*

Proper analysis, on the other hand, reveals that "the market"– shorthand for the system which provides for unfettered consumer choice – has always been hamstrung by unwarranted political interventions, and that unforeseen injustices invariably occur in consequence of such interventions. The Classic Liberal remedy, based on this diagnosis, was to limit government to its proper competence, to the role of an umpire with the power to penalize aggressors. This remedy was never fully applied and, given human nature, probably never will be. But under Classic Liberal prodding, society did move in this direction.

In brief, all men of good will, until recently, could come to a rough agreement as to ends, but "liberals" and libertarians clashed on the question of means. Today, however, the "liberals" have a new end: The Plan. The "liberal" eschatology culminates in a utopia run by their kind; a heaven on earth. They endorse this or that political intervention, then, not as a political means toward some economic end, but as a Good Thing in itself and as a necessary step in the direction of a society conceived in terms of a work of art, the product of a few men's design and artifice.

The New "Liberal" Alternative

This is not to say that some group of "liberals" has produced a manifesto in which this new tack is announced. Nor is it to suggest that every interventionist is a utopian; many are honestly in error as to the far-reaching effects of some piece of legislation which seems momentarily to confer a benefit on AB industry or CD pressure group. A man's real creed is to be determined by ex-

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posing the assumptions on which he habitually acts, and discovering their purport.

Perform this surgery on the professional "liberal" and things begin to make more sense. The real pros put through a program of legislation ostensibly to build houses, electrify rural areas, relieve the unemployed, take care of the aged, protect the investor, and so on – listing every interventionist item in the New Deal-to-New Frontier pharmacopoeia. The sound economists then come forward with an overpowering array of arguments to demonstrate that each intervention will result in a new situation, worse than the old one it was designed to correct; that it will produce economic consequences at variance with those intended. These economic arguments are not abstruse, and even if they were, the interventionists are not stupid. To the contrary! Why, then, are they immune to economic arguments which rebut their proposals?

Economic Rebuttal Irrelevant

There is only one answer that makes sense. If the pros advocated political intervention to attain economic ends, they would be crushed by the perfectly valid arguments which show that their stated aims cannot be achieved by the means they employ. But if, on the other hand, the pros advocate political intervention as a means to attain political ends – with a few economic sops tossed in as a camouflage – then economic rebuttals are irrelevant in this instance. The pro is not trying to attain economic ends, even though his words convey this impression, and therefore he is not dismayed when someone demonstrates that he cannot attain economic ends! He seeks a collective utopia as men of other ages have sought personal salvation.

What about power and privilege as "liberal" aims? That these are ingredients of every political picture goes without saying. And collectivism of every variety and however diluted – from totalitarian communism to the welfare state – creates new power structures in society and aggravates existing ones. It is inevitable, therefore, that some people will be attracted to collectivism by the hope that the revolution will put them on top. Power and control for the sake of power and control exerts an irresistible attraction on some personality types, a topic which occupies the stage in political writings from Niccolo Machiavelli to Gaetano Mosca; and the minimizing and dispersal of power in society has always been chief among the aims of Classic Liberals.

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The drive toward power for its own sake which crops up in today's "liberals" and welfare staters is not a novel thing in human experience. We have met the type before, and thus we can more or less take him in stride. History familiarizes us with power struggles, and we have had some experience in defending ourselves against power seekers.

But defending ourselves against those who pursue a political vision with religious intensity is something else again. This is a mutant form of the political virus and our antibodies are not up to par. The visionary, hitherto, has been a harmless fellow toward whom we tried to be polite. The political visionary, on the other hand, is an armed prophet who hears voices. Against this type our old defenses are of little avail and we must build new ones. Against an intellectual and spiritual infection there is no defense except understanding, and so we must make an earnest effort to understand how this new mood and mentality – utopianism – has arisen.

A Modern Development

It is only since the Renaissance that men have dreamed up utopias in earnest; the attempts associated with the names of Plato and Lycurgus in ancient Greece are half-hearted by comparison. The ancient world looked back to a Golden Age, a lost Eden, by comparison with which the present and future are unprepossessing. In the modern world, on the other hand, a significant number of people has been encouraged to believe that progress toward a future earthly paradise is an inexorable law of nature. This is not the outlook of the laboratory or the observatory; it is a popular mood generated by the extravagant expectations people attach to the largely mysterious goings on in the laboratory and observatory. The various sciences have, since the sixteenth century, accumulated an immense stock of knowledge about the universe and man, in which knowledge there inheres enormous powers of control over both man and nature. Many people are thus disposed to believe that nothing is beyond the capacity of Man, once Man puts his mind, heart, and hands into a project.

The physical sciences have, in the modern era, far outdistanced the social sciences and other disciplines. So much is this the case that the word "scientist" in contemporary discourse is usually reserved to the chemist and physicist alone. The knowledge which comes through other means than those employed by the physical sciences is thought of as proto-

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scientific, and perhaps untrustworthy. Now, natural science abstracts from the totality of things those aspects which are quantitative and measurable. It puts to one side, as not being amenable to treatment by its methods, those aspects of things which are qualitative and nonmeasurable. This need not imply any disparagement. The scientist in his laboratory is interested in the classifiable, which means the common features of things; the unique individuality of things eludes the scientific method.

Overworked Scientism

All of this is perfectly legitimate, *as a method!* It is only when that which has been set aside – the qualitative and the unique – is forgotten or denied that trouble ensues. The guilty parties here are, more often than not, nonscientists; contemporary scientists are quick to point out the limitations of the laboratory. There is the British scientist, E. L. Grant Watson, for instance, who writes, "Life defies measurement. Only the properties of nature, not the essence, can be described in quantitative terms." But many of the scientists and publicists of a century ago were less cautious; they vested science with a messianic significance. Science was to be the universal solvent for all human problems, the means for social reconstruction. Socialist theories and socialist parties sprouted abundantly in this climate.

Men of previous ages had dreamed of a society in which the masses of people would be controlled by an elite, so that society would run according to rote. The will to control was there, but the only means at hand were so primitive that the controls couldn't be made to stick for long. But now "science" gave would-be controllers the means, and collectivists tooled up for the job of making men conform to the Plan. The universe, as "science" pictured it, was analogous to a piece of mechanism, so it was only natural that any society scientifically established and operated would be a piece of social machinery requiring social engineers for its maintenance.

The Nature of Scientific Laws

A scientific law is more than a terse statement expressing unvarying relations between brute fact; it embodies *elegance, simplicity,* and *convenience.* A recent writer on the philosophical perspectives of modern science entitles one of his chapters, "Esthetics and Relativity." Discussing the concept of Invariance, he writes: "Invariance with its implied relativity is at least as important in science as it is in art,

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for in science it introduces not only elegance in the formulation of laws but also a large measure of simplicity and convenience." A society at once elegant, simple, and convenient would be run like a clock, needing only occasional winding and repair. The collectivists had their ideal utopia in direct view.

A piece of clockwork, composed entirely of interlocking, reciprocating parts conforms more nearly to the requirements of elegance, simplicity, and convenience than any living thing. The profusion of life in even a tiny garden patch – its individuality, its wildness, its defiance of entropy, its lack of uniformity, and its unmanageableness – is the despair of the mind that demands elegance. And when a man with this cast of mind regards the antics of his fellow men when they are free, it is with a kind of horror and loathing. So it was with Sir Thomas More – if his *Utopia* really reflects his own taste. Human waywardness must be stamped out of utopia; uniformity inflicted. "Having rooted out of the minds of their people all the seeds both of ambition and faction," writes More, "there is no danger of any commotion at home." Nor would these de-individualized robots be able to distinguish one of their termitaries from another: "He that knows one of their towns, knows them all."

Every utopia is regarded as a final accomplishment; it is at the end of a line. Development has proceeded up to that point, but at that point it must stop. Such a society has a symmetry which cannot be matched by the free society, not even in theory. It is the perfect adjustment to environment attained only when life and growth are over, that is to say, by a corpse!

A Spell Is Broken — A Chance To Breathe Freely

But perhaps a new mood is evolving in our day, more congenial to life and liberty. The appearance of anti-utopian fiction is one straw in the wind. The spell of utopianism is broken when men begin to write novels like *1984* and *Brave New World*, giving the forces of life, development, growth, and freedom some air to breathe. Aldous Huxley's hero in the latter book is a rebel, called simply The Savage. He fails to adjust to the generally imposed uniformity, and when he finally confronts the dictator, Mustapha Mond, this exchange occurs:

The dictator says, "We prefer to do things comfortably."

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The Savage replies, "But I don't want comfort. I want God, I want poetry, I want real danger, I want freedom, I want goodness. I want sin."

"In fact," said Mustapha Mond, "you're claiming the right to be unhappy."

"All right then," said the Savage defiantly, "I'm claiming the right to be unhappy."

"Not to mention the right to grow old and ugly and impotent; the right to have syphilis and cancer; the right to have too little to eat; the right to be lousy; the right to live in constant apprehension of what may happen tomorrow; the right to catch typhoid; the right to be tortured by unspeakable pains of every kind."

There was a long silence.

"I claim them all," said the Savage at last.

The assessment of life implied by this dialogue is profoundly anti-utopian, but it corresponds to a proper reading of the human condition. The facts of life are stubborn things indeed, and we neglect them at our peril. There is no social insulation capable of shielding us from the way things are; we must face life as individual persons in a society which is not based on any attempted mass denial of life. The map of life has no spot marked "utopia." ◈

IDEAS ON LIBERTY

A Real Problem

OUR GENERATORS, machines, and computers are precisely measurable, controllable, and predictable but the causes of the release of human energy are not; least of all the ultimate source of all energy and creativeness: the human mind. A real problem in our society today is to find the way to keep free, to foster, and to incite that great source of all our accomplishments: the restless exploration and creativeness of the human mind.

N. J. MCKINNON, President
Canadian Imperial Bank of Commerce

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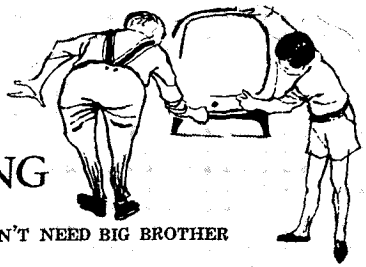


VOLUNTARY GIVING

or — SANTA CLAUS DIDN'T NEED BIG BROTHER

The year had rolled around to bring
Another Christmas near.
Old Kaspar tidied up the room
And radiated cheer,
While Peterkin and Wilhelmine
Looked at the metaphoric screen.

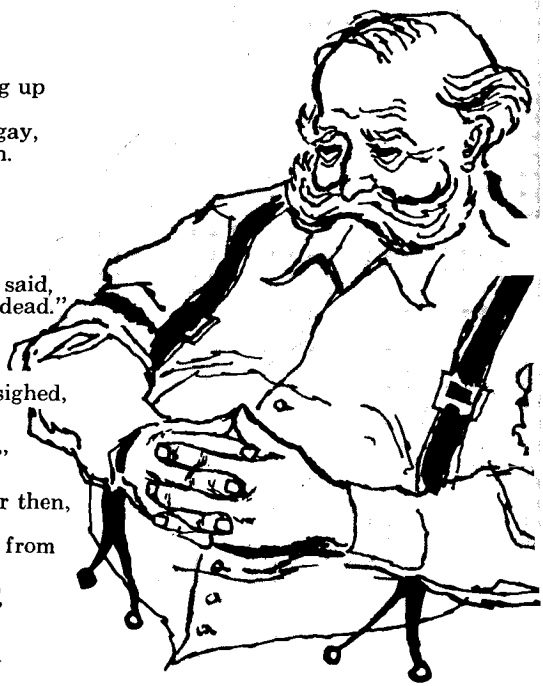
They saw Old Santa's little shop
Ablaze with neon lights,
And watched the reindeer warming up
In little practice flights;
While Santa, looking spruce and gay,
Was stacking bundles on the sleigh.

"Old Santa Claus is back again!"
The little children cried.
"A year ago we were afraid
He'd gone away and died!"
"When help arrived," Old Kaspar said,
"They found him sick and nearly dead."

"Then after all," cried Peterkin,
"He did get Federal Aid!"
"No plans for that," Old Kaspar sighed,
"Were ever even made.
A million parents made a dash
To rescue him with work or cash."

"A few brought cash," said Kaspar then,
"To pay Old Santa's debts,
And pledged a fund to shield him from
The tax collector's threats;
While others modernized his shop
From storage bin to chimney top."

The children stood in silence then
With flabbergasted eyes.
"It was amazing," Kaspar smiled,
"For such an act implies
That helping hands can operate
Without compulsion by the state."



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POCKET-SIZED PATRIOTS

D. M. WESTERHOLM

A FRIEND of mine asked a question a few months ago which caused long moments of thought-searching until the surprisingly simple answer finally evolved. Its simplicity should not have been surprising, of course, because most truths are simple; (only man's attempts at qualifying and compromising make them seem complicated). My friend's question was: "How can one possibly hope to teach very little children about such an involved and intangible concept as *liberty*?"

The answer given was: "Define liberty, in your most basic and simple terms, and you will find that you are already teaching it."

Most of us start teaching our children certain rules of behavior at a very early age. We teach them not to bite, kick, hit, or otherwise injure other people (except in actual self-defense, or formal competition). We teach them to respect the property of others; not to steal, or destroy; not to borrow without permission; not to "redistribute" property without the owner's consent – even for the immediate good of the neighborhood soft-ball team! We instruct them to enter another's home only when invited. We explain that they must not tell "stories" which would be harmful or distressing to someone else; and not to make false accusations. Further, we teach them that they may not simply command another child's unwilling obedience to their own imperial bidding; and if our children are clever enough or big enough to attempt this anyway, we try to dissuade them from becoming bullies. Finally, we teach them that all of these rules work both ways, both as restrictions and as protections.

Well, if you are teaching these things, you are teaching many of the essentials of liberty – though perhaps not *calling* it *liberty*. Try

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expressing some of these ground-rules of behavior in Constitutional language, and they would read like this:

"The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated." . . . (Amendment IV) "No person shall . . . be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation." — (Amendment V) ". . . Neither slavery nor involuntary servitude, except as a punishment for crime whereof the party shall have been duly convicted, shall exist within the United States . . ." — (Amendment XIII) And ". . . the accused shall enjoy the right to a speedy and public trial . . . and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him . . . and to have the assistance of counsel for his defense." — (Amendment VI)

This isn't a bad start for a three- or four-year-old patriot!

It does seem to help clarify the issues if one gives these rules actual names and clearly worded reasons. Helping children develop a usable patriotic vocabulary, by example and repetition, will also help them develop a practical and usable attitude toward patriotic actions and thinking. There's really nothing shameful or unmanly or socially derelict about saying right out loud that you love your country and cherish freedom! Most children love to use new words, so why not give them some with real significance?

A lot of us give moral and religious explanations for many of our rules: "God wouldn't like you to do this." Certainly this is fine, and true. These issues are indeed moral concepts. But if you would have your youngster grow up to understand his national heritage of specific freedoms, why not simply *also* tell him that the Founders of our nation believed so strongly that man's right to personal liberty was endowed by our Creator, that they built our government and our nation on it? Explain that these ideas are basically positive protections, not just prohibitive restrictions. Tell him that his ancestors fought with their lives to achieve these freedoms — and that we must all guard them carefully and sternly, because they have priceless value.

Youngsters Learn Quickly

You may be amazed, as I was, to discover how much of this even your four- and five-year-olds will comprehend. I do not understand the tendency to underrate the ca-

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pacity of a child to learn and understand moral issues; after all, most of the first formal lessons we expect them to learn are based on moral codes (or physical safety factors). Perhaps we need to review our own interpretations of these codes and arrive at simpler definitions and clearer terms – so that we may more easily pass them on to our children. I know I had to do this – am still doing it!

Youngsters seem to understand and respect the basic fairness and logic of a statement such as: "No one else has the right to harm your body or property except in self-defense; so, you naturally have no right to harm another fellow's body or property except in self-defense." Usually, if you simply tell a child that something isn't right or proper, he will automatically ask, "Why?" It saves time to answer the "why" before he has to ask it!

Three Tools for Teaching

If I had to choose the three tools I've found most helpful in teaching my children (and myself), they would be: *fairness, logic,* and *identification.* Fairness appeals to a person's own desire for comfort and security. He likes the idea of doing fairly to others and of being fairly done *to.* Logic appeals to his eagerly expanding intellect. It makes sense that if he has ten dimes, he's going to have trouble buying twelve bottles of pop that each cost a dime. Identification has appeal to his imagination and dramatic sense. He loves to pretend himself into the back hills of Kentucky as Daniel Boone!

One had best be well armed with clearly thought-out facts before trying to teach anything to anybody – but especially is this true when teaching children. Nothing can be quite so withering as the barrage of machine-gunned "why's" that will follow a carelessly dropped vague generalization!

By using these three tools (and plenty of midnight study sessions), I have been able to tackle such diversified questions as: "What does a parity taste like?" And, "How can Alaska and Hawaii be part of the *United* States when they don't even *touch* the rest of them?" Or, "Is the government the building where the President goes to work every morning when he leaves his white house?" And once, after I had challenged a real whopper, "Gee, Mom, can't we just call this an example of my good old creative imagination?" Believe me, pediatric patriotism has its hilarious moments!

Few are the things in life more soul-satisfying or fascinating than watching a child reach out, and grasp, and use knowledge. To

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see him listen to an idea, come to understand it, and then act on it, is to see a miracle happen. The entire process is one continuing miracle – a never-ending physical manifestation of the omnipotent genius and love of our Creator. How awe-inspiring, unbelievably complex, and exquisitely beautiful is the growth of a child.

Before the Man, Came the Child

The mind and hands of man can produce marvelous accomplishments. But before the man, came the child he once was; and as the child grew, so grew the pattern of the man. If you believe, as many of us do, that we were individually endowed by our Creator with certain potentials of creativity, and that to develop, enlarge, and utilize these potentials is not only a worthy goal of living but a way to grow closer to God, it becomes enormously important to protect the governmental environment which allows every man to go about this business of growing, learning, and creating in his own way.

History repeatedly warns that as freedom and liberty wane, so does creativity and progress – for the latter can flourish only in the warmth and tolerance of the former. Only in a nation dedicated to freedom and maintained in liberty can man or child find the environment for the fullest development of individual intellectual and creative potentiality. And these potentials might be cathedrals or careers, books or bridges or businesses.

Young adults today have truly staggering problems to face. They must not only learn to deal with the personal economic problems and responsibilities of earning a livelihood, and make the difficult adjustment from a sheltering home to a competitive society; but they must also face the untidy and disconcerting facts of inflation, an incomprehensibly huge national debt, and the threat posed by increasing socialistic assaults against the very foundations of the fortress of freedom. It seems reasonable that there might be less dismay and confusion for this emerging citizen if he had been taught about the national situation, in a gradual way, as a child. Not in a gloomily negative manner, but in a constructive let's-see-what-we-can-do-about-it manner.

I tend to agree with the gentleman who said, "Patriots are made, not born." He might have added that they come in all sizes, too – from three feet tall, to the top of the scale. I confess a very special warmth for those eager, wide-eyed, pocket-sized patriots! ◈

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Germany's Economic Miracle in Danger

WILLIAM HENRY CHAMBERLIN

GERMANY'S RISE from postwar prostration to after-war affluence has been widely called the "Wirtschaftswunder," the economic miracle. And anyone who saw Germany in the bleak years of 1945-1947, the cities half in ruins, the currency so worthless that cigarettes were preferred to marks, the people hungry, listless, and apathetic, economic revival checked by scores of harsh occupation regulations, might well have set a generation as a minimum term for the restoration of more or less normal conditions.

But striking improvement began in 1948, when the worthless marks were swept into the ash can and replaced by a new hard currency. It was a drastic surgical operation; for the second time in twenty-five years a hopelessly inflated currency had to be mainly written off. But the restoration of the incentive of sound money, with which food and clothing could be bought at normal prices, was the indispensable incentive to hard work and rising production figures.

What gave lasting momentum to the brilliant economic recovery was a stroke of genius on the part of one man, chubby, cigar-smok-

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ing, enormously energetic Ludwig Erhard, Minister of Economics.

Well versed in classical economics and a specialist in market research, Erhard was completely out of sympathy with the Nazi idea of a controlled economy and composed a secret memorandum on the economic and financial consequences that might be expected after the collapse of Hitler's mad dreams of empire. Appointed director of economic administration after the economic fusion of the American and British Zones of Occupation, he had the vision and courage to try the revolutionary experiment of economic freedom, leaving people free to work out of the postwar devastation and impoverishment by their own efforts.

One Nazi institution which the occupation powers did not touch was an elaborate system of wage and price controls. When the currency reform was carried out in the summer of 1948, Erhard took advantage of a loophole in what was then a strict system of foreign control over Germany's economy. It was strictly forbidden to change any single fixed price without the consent of the occupation authorities. But there was no ban on abolishing the entire cumbersome system; apparently, it was believed that no German would have the courage to risk such a step. This is just what Erhard did. He made a bonfire of all the wage and price restrictions and launched Germany on the rising tide of an economy that was freed after decades of severe control.

This was not accomplished without difficulty and opposition. There is a story that General Lucius D. Clay, head of the American Military Government, called up Erhard and said: "All my economic experts tell me that what you have done is very dangerous."

"So do mine," replied Erhard, and continued to steer his freedom course, with Clay's later full cooperation and support. For a time prices rose sharply. The trade-unions called a general strike in favor of a return to planned economy and controls. Some of the more fainthearted officials in Erhard's Ministry began to work on drafts of new decrees restoring controls. But Erhard was unmoved. He had bet on freedom and was confident he would not lose.

"Even if the price pendulum has passed the limit of what is moral and permissible," he declared at that time, "we shall soon enter upon a phase when, as a result of competition, prices will be reduced to their appropriate level. This level will secure the best relationship between wages and prices, between nominal incomes and the price level."

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Later, after the reality of the economic miracle had been generally recognized, Erhard, in a reminiscent mood, summed up the considerations that guided him in this early critical phase of German economic recovery:

"The important thing was to create again an incentive to work. So, from the very beginning of our recovery, I encouraged free imports of foreign goods, and not on a basis of priorities or austerity. I was sure that the more we imported the more we would be able to export, thereby starting an ascending curve. Confidence in our new money was strengthened as people saw in the shop windows a larger and larger variety of foreign goods, some of which they hadn't seen since the beginning of the Nazi era.

"The competition of foreign products was bound to spur the ingenuity and resourcefulness of our own manufacturers, who had been cut off for a long time from economic contact with the outside world. There were critics at home and abroad who thought it was risky to bet so much on economic freedom. But we were committed to this bet – and we won."

Postwar Prosperity

Erhard's policy touched off a steady boom of prosperity that transformed Germany in a few years from the shattered, listless, hungry country of the first postwar years into one of the most prosperous lands in Europe. I knew Munich before the war better than most German cities. When I first went there after the end of the war, the main streets were almost unrecognizable as a result of the bombings that reduced much of the city to rubble and ruins. Many beautiful pieces of architecture have been irreparably lost. But one can now go from one end of Munich to the other and see few evidences of war destruction. The city is bursting at its seams with increasing population. Its main problem now is not reconstruction, but control of the almost unmanageable traffic, symbolized in the figure of one million additional cars on the roads of Germany in 1961. Year after year, after the foolish and vindictive restrictions on German industrial output were removed, new records were set in industrial output and exports to foreign countries. The only tangible support for Germany's new currency when it was introduced in 1948 was an advance of $200 million from the United States, and the mark could be bought at a 40 per cent discount in neighboring Switzerland. Now Germany's gold and dollar reserves exceed six billion dollars, and the mark is con-

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sidered one of the soundest of European currencies. Indeed there have been times when the German financial authorities were embarrassed by the big influx of fugitive money from England, France, and other countries.

Refugees as Pacemakers

A brutal decision, completely at variance with the principle of self-determination affirmed in the Atlantic Charter, has worked out, in practice, to Germany's economic advantage. This was the expulsion or flight of some twelve million Germans and people of German ethnic origin from the eastern provinces of Germany, from Poland, Czechoslovakia, Yugoslavia, and other countries of eastern and southeastern Europe. The booming free economy of the Federal Republic found working places for this enormous mass of uprooted people. Germans often speak of these newcomers as "pacemakers for all of us."

Without this extra labor force Germany, its population depleted by millions of war dead, could never have gone so far so fast. One such penniless refugee of the postwar period is named Berthold Beitz. He is now managing director of the historic firm of Krupp, which does over a billion dollars worth of business a year.

Traveling about in the Federal Republic, one finds again and again concrete examples of how this free country has benefited from the managerial and technical and working abilities of people who have been driven from their homes by national or class bigotry. The Sudeten Germans of Czechoslovakia were famous for their handicraft skills in producing musical instruments, toys, costume jewelry. They were driven from their homeland at the end of the war. They brought these skills to the Federal Republic; one town, Gablonz, has even been re-established within the borders of Germany as New Gablonz.

During a visit to Düsseldorf, capital of the industrial state North Rhine-Westphalia, I became acquainted with a highly successful manufacturer of cosmetics named Schneider. Originally his business had been in Dresden, in the Soviet Zone of Occupation. Realizing that private business would ultimately be completely wiped out, Mr. Schneider took with him his blueprints, his trade secrets, some of his engineers and skilled workers and moved to the Federal Republic. His plant in Düsseldorf now far exceeds in quality and quantity of output the factory he left behind to be nationalized. This is only one of innumerable examples of how the free part of Germany has bene-

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fited from the brains and private managerial capacity that have fled from the part that is under communist rule.

The combination of the German tradition of hard efficient work, the immense release of individual creative energy by Erhard's free competitive economy, the turn in American policy from repression to helpful cooperation, the big demand in the postwar world for the machinery and machine tools which German plants were especially qualified to turn out made Germany until recently the model economic country of Europe. Erhard struck off one restriction after another and led the parade of European nations back to full currency convertibility. The importance which the German Economics Minister attaches to this subject is evident from this quotation from his book, *Prosperity Through Co-operation:*

"I go so far as to declare that whoever manages to do away with foreign currency control will have done more for Europe than all politicians, statesmen, members of parliament, businessmen, and civil servants put together."

New Problems Arising

But a visit to Germany in 1962 conveys the impression that the bloom is off the economic miracle and that some new problems have arisen in the place of those which were so brilliantly solved by the powerful upsurge of the German economy during the fifties.

The business boom in Germany, still very pronounced in the building industry, has been both cause and consequence of increased savings and capital accumulation, not only by the German people themselves but by foreign investors looking for a country in which the rights to private property are respected. This comparative abundance of capital has eliminated unemployment. With some 25 million Germans at work, there are less than 100,000 registered unemployed; and these are mostly unemployable. Some 600,000 foreign workers, mostly Italians, Greeks, and Spaniards, have been brought into Germany. And still there are some half million job opportunities that remain unfilled.

Such full employment creates its own special difficulties. When no one can be fired because of lack of replacements, it is human nature to slack off and work at something less than full efficiency. Despite the traditional loyalty of workers to some old-established firms like Krupp, which have always taken an interest in the well-being of the employees, one now hears in the Ruhr and elsewhere numerous complaints of workers shifting capriciously from job to

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job, shamming illness, and staying away from work. Workers receive full pay for three weeks of absence from the job, and checks on abuse of this right seem inadequate.

The labor situation also places the trade-unions in the driver's seat. During the first years of the "economic miracle" there was considerable restraint in posing new wage demands. This is no longer true. Wages have been shooting up, out of all relation to productivity. Wages rose by 9 per cent in 1960, by 10 per cent in 1961; the corresponding growth in productivity in the two years was 6.5 per cent and 3.7 per cent. The threat of a politically implemented, inflationary wage-price spiral in a country which could boast of one of the most stable currencies (in terms of purchasing power) in the world is quite real.

Another effect of this situation, and one which is putting considerable strain on Germany's finances, is that when employers cannot meet demands for higher wages out of their own resources, the state steps in and helps to foot the bill. This happened in the Ruhr last summer when the miners threatened to strike on the eve of an important state election and the federal government offered a handsome subsidy so as to make possible the payment of the 8 per cent wage increase which the workers were demanding.

This sort of thing, of course, does not make it easier for the harassed Minister of Finance, Heinz Starke, who no sooner gets the national budget balanced than he sees it unbalanced again by some new demand for higher pay or larger subsidies. With the memory of two destructive inflations during the last forty years, there is in Germany a healthy fear of deficit financing, and the head of the Bundesbank, Karl Blessing, has sternly announced that his institution will not finance a new inflation.

Production Comes First

These clouds on the previously serene landscape of the "economic miracle" caused Erhard last spring to turn to the German people with an appeal that was almost an SOS. Posing the question, "Have We Lost the Feeling for the Possible?" Erhard warned his countrymen against succumbing to the illusion that a people can consume more than it produces. Erhard has never been a mouthpiece of big business. He has criticized employers as much for trying to keep up prices artificially through cartel arrangements as he has criticized the trade-unions for excessive wage demands.

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But in this appeal he took issue with a viewpoint that has been gaining ground among the trade-union leaders: namely, that "justice" requires a redistribution of national income. Erhard warned that continuation of excessive wage demands would lead to a weakening of Germany's competitive position, to a diminution of investment, to a reduction in tax yields and, finally, to the destruction of full employment. He appealed to the German people, who for years had set an example to the world of productive and financial discipline, not to throw away in a moment of blindness all they had built up, and remarked that it would indeed be an irony of history if Germany should go astray just when other nations which had suffered from loose inflationary finance were coming to their senses partly because of Germany's example.

It is an illustration of the justice of Erhard's warning that the big surpluses of exports over imports, which enabled Germany to advance from virtual national bankruptcy to a gold and dollar reserve of over $6 billion, are diminishing just when they are most needed to meet such requirements as purchases of arms abroad, outlays for foreign aid, and the like.

Nothing that has happened or may happen in Germany detracts from the tremendous object lesson in the superiority of a free economy offered by Germany's spectacular recovery when Erhard's principles were in full force. This object lesson is further enhanced by the drab squalor in the Soviet Zone of Germany. This has been a real example of "competitive co-existence" between sundered groups of the same people, with the same educational background and the same working capacity. The results, to put it mildly, cannot be very satisfactory to Mr. Khrushchev. The erection of the barbarous wall between the two parts of Berlin has not changed by one iota the contrast between busy prosperity in the Western part of the city and desolate stagnation in the other.

The German economy ran well and smoothly when it was guided by the principles of classical liberal economics. If it is now experiencing some jolts and jars, this is because of departures from these principles.

Wages, employment, prices, and productivity will necessarily find their own natural and desirable levels if the government will follow two principles: (1) no inflation, and (2) no interference of any kind in the arrangements that employers and employees finally arrive at by free bargaining. ◈

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EVERYONE'S FAVORITE GAME

JESS RALEY

ONE of man's first accomplishments was the perfection of a simple, sure-fire, almost fool-proof method of building his ego. Often known as the "better-by-comparison" method, it has seen no improvement since Adam claimed superiority over Eve because she ate the first apple.

The beauty of the "better-by-comparison" method of boosting one's ego is its simplicity of operation. First, you make a statement that, being true, would give you an edge on someone. Next, you assume the statement is true and up goes your sagging ego. Don't ever, under any circumstances, try to prove the original assumption. That's not in the game, although it is quite often true.

All races, creeds, and colors, as such, are egoists. Many races built themselves up in their own esteem for hundreds of years by calling the Chinese heathen, while the Chinaman smugly fattened his own ego by claiming to have cooked his meat long before other men quit eating theirs raw.

Hellenic women enjoyed little of the glory that was ancient Greece. Because of Pandora's alleged curiosity, Greek women were kept at home while the less curious men went about marking the beginnings of a few dozen branches of science and bursting their laurel leaves over new explorations. It is difficult to visualize the heights Greek culture might have attained had they been able to confine their ego-building to other races in general and women in particular. But this "better-by-comparison" game is a growing thing. When Greeks began to apply the formula to other Greeks of another city, the end of Greek leadership was just around the corner.

Early Semitic civilization went down the same drain. The Jew had a natural ego-builder because of his unique position in relation to

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God; but this alone was not sufficient to satisfy him for long. Tribe after tribe was expelled so that the remnant might feel "better-by-comparison," to the end that this remnant fell easy prey to the enemy from without.

Each Germanic tribe fattened its ego by playing the "better-by-comparison" game at the expense of other tribes of the same origin. They, in turn, provided ammunition for the conquering Roman ego.

Racial Pride and Prejudice

Thus it has been from the beginning and quite likely will be until the end. By far the greater part of racial tension in the United States today stems from this same source. Negroes are able to get a boost by feeling "as good" as whites. Segregationists build their ego by feeling better than Negroes. Integrationists feel better by comparison because they claim to believe all men are equal. Segregationists pump their balloon even larger by calling the integrationists hypocrites who don't practice what they preach; and so it goes. The present Supreme Court may feel it has rendered a decision more in keeping with the spirit of the Constitution than any like court in the past (and possibly get a large charge from so believing), but it appears doubtful that any such decision can separate man from one of his oldest and most cherished motivations.

The same game is played quite extensively on a person-to-person basis, especially among children. Most adults, in a more subtle vein, use the "left-handed" method. This method gives the same results but leaves no grounds for legal suits, hair-pulling, and right hooks.

To begin with, Smith, an architect, will agree Schweinsty, also an architect, is one of the best; but,— well, who wants plans drawn by a man with a name like that? Blabberwise, the salesman, is quick to pass out orchids to a fellow craftsman, but Old Slowpoke just can't close one out, implying that he, Blabberwise, is a sure-fire closer. Hammermore, the contractor, builds his ego by believing he's the best there is, but he doesn't come right out and say so — that would be childish. To hear him tell it, Plumbline, the most persistent competitor, is a fine man, four square and all that, but — those mechanics of his — why, even his crew leaders can't read a square.

Inkwell, the writer, keeps his ego on the summit by believing Blotter owes his success to an "in" with assorted editors. Circulation may sag but not the edi-

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tor's ego. He blames the distribution agency. Distribution blames the editor. The publisher calls both to account – the publication may fold, but everyone's ego is preserved.

No profession is above or below playing "better-by-comparison." People who do manual labor are especially adept at the game. Pete, the shovel operator, admits George can move more dirt; but look at the equipment he fouls up. This without thought of the cables he, Pete, breaks by crowding too fast. Bill, the carpenter, swells his ego by telling how Jim fouled up cutting a set of jack-rafters, while Jim takes pride in relating Bill's inability to fit a joint.

No one gets a larger charge from playing "better-by-comparison" than the gals. Their scope is extensive (most of which would seem unlikely material to a mere man). It includes color of hair and eyes, height, weight, walk, talk, personality, clothes (and how they are worn), profession, running a home, children, family, men – considered personal property as a hat or bag – driving, and a hundred other things too numerous to list.

Nowhere is the game played with greater enthusiasm than in the field of religion, recent gains in religious tolerance notwithstanding. True, we no longer burn heretics at the stake, and there is a commendable feeling of tolerance among most Christians, but that does not hinder the game. Every member of an "ism" feels strongly that he and the members of his "ism" alone are practitioners of the "true way." The Orthodox Jew is quietly dignified in the certainty that his is the only way. Roman Catholics take pride in belonging to the oldest Christian religion. Protestants of different denominations are firm in their conviction that the church of their choice presents the more clearly defined road to heaven. In a matter of such prime importance, mankind longs to be part of a group capable of instilling such a feeling.

So popular is this game of comparison, so deeply imbedded in man's subconscious self, so important to his ego and necessary to his general well-being that families who might defend each other to the death are unable to resist playing the game at the expense of brother or sister, mother or father, wife or husband.

On the Other Hand

No one could deny that much of man's uncomplimentary nature surges to the fore in the process of playing "better-by-comparison." Many complimentary attributes,

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however, owe their origin to the game. Indeed, it is quite difficult, and not at all pleasant, to contemplate a world without the influence of this most popular game. The exalting feeling known as pride would cease to be. No person would value country, race, color, class, religion, political belief, or school of thought above another. Among other things of greater magnitude, this would mean all Frenchmen would agree. No longer would all good Irishmen have cause to kiss the Blarney Stone. The Scots would cease to be conservative, and Englishmen would have no preference between coffee and tea.

Germans would no longer brag that the Fatherland produced the world's greatest scientists. Spanish boys would have no reason to dream of becoming great matadors, and Italian chefs would serve French fries with great gusto. There would be no motivation for Americans to boast of their country's ingenuity. Sons of Eli would not feel superior to graduates of Harvard, Brown, or Princeton. Lower class would have no cause to fight for middle ground, and middle class would no longer strive for a foothold at the top. Southerner would love Yankee, Yankee would respect Southerner, Westerner would feel no better than the rest, and Texas products would decrease in size at an alarming rate.

Women would cease to indulge in all the little tricks of the trade that make them more alluring. There would be but one political party, one way of life, one religion, one school of thought – the zeal to live, create, achieve, succeed, accomplish the near-impossible, build a better home, and furnish it better would be buried in one great abyss. Man would find small incentive to provide more abundantly for his family. Women would not deem it important to appear beautiful.

It is extremely doubtful that any normal adult ever lived who did not play this ego-building game to some extent, although few will admit participating. As a matter of fact, many people believe they are above playing this game – and get quite a charge from so believing. In any case, if you should chance to meet a teetotaler, no one will have to acquaint you with the fact. You will recognize the bum at first glance. ◈

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LEADERSHIP and the RULE OF LAW

CLIFF S. EMENY

HISTORY SHOWS that whenever people collect in groups, there must exist two factors if they are to rise above the level of animal conduct. These are leadership and law. Admittedly, both leadership and law can foster evil and predation instead of ethical, tolerant, creative, and peaceful conduct. And though leadership quickly rises among groups, the law it produces can vary tremendously in quality. Yet the fact remains that human association in groups, communities, or nations cannot last without these two factors.

People gather in groups mostly for two reasons: (1) for the destructive purpose of plunder or warfare; and (2) to pool their skills, their assets, and their labors in the endless struggle to wrest from nature the material necessities of life. Our purpose in this discussion is not to foster warfare but to concentrate upon creative and peaceful endeavor.

If there exists a choice of good or bad leadership and law, there must also exist a choice between two types of society. But the understanding that everyone must constantly make this choice seems to be a missing link in the voting public's field of political knowledge. All too few perceive the nature of this choice and how it affects their actions and their lives.

The alternatives are these: On the one hand, a society where all responsibility for human endeavor is vested in central authority – government – be it the crown or a political party or any other form. On the other hand, a society where people accept personal responsibility for their own affairs. This is the real issue, and it is relevant to everything people do, in work and in pleasure, in the most obvious and in the most intimate of human affairs. We can no more escape choosing than we can escape the consequences of our choice.

Many people fall into the error of thinking that the choice is between communism (or socialism) and some vaguely understood conception of freedom – between government control and private con-

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trol – always between things removed from themselves. In this they are mistaking the methods for the issue itself.

Obviously, most people want freedom. But they fail to define it conclusively. In fact, there are about as many variations of freedom as there are people. Individually, they fail to comprehend that the real issue is simply freedom from personal responsibility or freedom from slavery. To enjoy freedom from personal responsibility they must endure coercion in some form. Those who have delegated responsibility to someone else must henceforth do as they are told. Otherwise, the planning done for them will be disrupted by the innumerable individual conceptions of needs.

Practically everyone rebels against slavery, or the use of force against them by others. If they desire freedom from being bossed around, they must accept personal responsibility, and with it, the consequences of their own decisions. This state of affairs richly rewards wisdom and severely punishes folly. It is significant that most people seek protection from their own folly more diligently than they trust the rewards of wisdom. This is merely a reflection of the lack of courage and character in our present stage of human progress.

The Reason for Government

At this point, let us try to establish clearly the reason for the existence of government in our midst. As I see it, those groups who joined together for the improvement of the means of production of the necessities of life soon found, as we still do today, that humanity as a species always produces its quota of predatory strains – that a minority in its midst always prefer to plunder the production of others rather than struggle with nature to create their own livelihood – that respect for human life is not universal among human beings – that it is necessary to defend by force the fruits of their labors if they are to know even elementary security.

As the practice of peaceful cooperation increased, the wealth of those sharing the spoils of plunder attracted greater numbers, thus increasing the burden of defense. Specialization being the pattern of all progress, the producers soon found it more effective to hire some of their number to concentrate on becoming skilled fighters. Long, long ago they doubtless delegated to this group responsibility for their safety and granted them a monopoly of the use of force in their community.

Thus, they created government. It was an agency, supported by

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the production of the rest, presented with the opportunity to contribute greatly to the advancement of humanity by the exercise of wisdom, tolerance, and honesty, through leadership and law. But, at the same time, it was also equipped with the power to turn on the people and enslave them.

The gruesome pages of history show that, almost without exception, the power of government attracted or created men who chose the latter course. Government, whose only justification for existence is to protect impartially the property and the life of the individual, has a shocking record of doing just the opposite. Keeping in mind government's proper function in society, we must see that whenever central authority transgresses beyond this strictly limited role, it is no longer genuine government. Instead, it is a force of barbarism and corruption, something akin to the marauding wolf pack that plagues the flock to satisfy its own appetite.

The Struggle for Freedom

Let us now review briefly the history of human progress in the pursuit of individual freedom.

From the dawn of recorded history, men have been engaged in a continuous struggle to secure freedom from the barbarism of their governments or the plundering invasions of their neighbors. Over the ages, the slaughter of persons and the destruction of natural resources, through wanton plundering and the attempts to defend against it, defy comprehension. Not even the greatest flights of imagination could encompass the total carnage, which still goes on in many parts of the world. And though we ourselves appear secure today, the situation could easily change overnight to our peril.

The point is that fighting for freedom with weapons has been of little avail and holds even less promise for the future. Defensive violence is strictly an emergency measure, a last desperate resort, and its result for the most part has been to transfer coercive power from one group to another, to the continued detriment of human liberty.

I would trace the great breakthrough in this struggle to the triumph of reason over force on the part of Moses. In his "Ten Commandments" he appears to have succeeded in combining leadership with the rule of impartial and ethical law – to have produced a basic code of human conduct by which to resolve the problems of community life. That the Israelites grew and prospered in a harsh and hostile land indi-

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cates the value they gained from this harmonization of leadership and clearly defined ethical law. When they made the error of abandoning the system and accepting instead the rule of kings, they were soon overrun by their neighbors.

Greece and Rome both made their greatest contributions to human progress when they permitted to function in large measure this combination of leadership and law. Both nations suffered decline and subjugation when the rule of law became the plaything of government or sectional groups in the community, used for escaping responsibility for one's own welfare and plundering others of the fruits of their labors. The change in the role of government brought disaster to all.

For European races, Magna Carta in 1215 marks the beginning of the battle to replace the rule of kings with the rule of law and to make this an instrument to defend the individual ownership of property from confiscation by government.

History records such events as brief flashes where reason and knowledge triumphed over brute force, where people laid down their weapons and sought a solution by intellectual effort. Unfortunately, human folly soon permitted men to accumulate sufficient power to impose their will upon the populace, and Magna Carta could not prevail.

But a start had been made and was followed by "The Petition of Rights" in the third year of the reign of King Charles the First, a declaration of personal liberty and immunity from arbitrary taxation.

When William and Mary came to the throne, the "Bill of Rights" advised them that the rights and liberties inserted therein were the ancient, true, and indubitable rights of the people.

The "Act of Settlement" in 1701 aimed at ensuring the independence of the judiciary from control by the ruling monarch.

Combined with these were the Habeas Corpus Acts to assure personal freedom from arbitrary arrest and imprisonment.

These five historic charters represent a continuous attempt over several centuries to create a rule of law sufficient to counter the abuse of power by kings — the groping of human minds for a solution to the repetition of plunder, slavery, and barbarism.

Changing the Leader

That progress came so slowly over these centuries can be traced to the main objectives of the struggle. Our ancestors seem to have been primarily concerned

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with replacing leadership from the crown with leadership from parliament. The Civil War accomplished this objective, but did little to abolish the abuse of power by central authority. Though great efforts were made to fashion parliament into an impartial instrument of leadership, its laws were nonetheless dictatorial. Cromwell, the Civil War leader of such fine ideals and ethical standards, soon found it necessary to condone shocking standards of brutality to administer the economic affairs of the people by parliamentary rule. Eventually, finding it impossible to get agreement from parliament, he assumed full dictatorship.

This appears to be the rock upon which the hopes of the people foundered. Both Cromwell and parliamentary leadership still considered the role of leadership and law to be one of coercively directing the economic affairs of the people. The people had merely transferred the powers and privileges of autocratic rule from a group of courtiers to a group of parliamentarians, and they suffered accordingly. Though they may have desired to live according to the highly ethical code of Moses, such a goal still eluded them. Neither the fine words of the five charters nor the turn toward representative government were sufficient to release mankind from poverty and pestilence, from the practice of plunder and the abuse of political power. Further evolutionary phases were necessary before liberty was to be achieved.

A Flow of Ideas

Not all was in vain, however. Habeas Corpus and the Act of Settlement helped to free men's minds, their tongues, and their pens. An intellectual offensive developed during the seventeenth and eighteenth centuries. Brilliant minds dwelt deeply and freely upon the most pressing and the most abstract fields of politics and economics.

From such men as Ricardo, Adam Smith, Mill, Jefferson, Hamilton, Paine, and Franklin, to mention a few, came the flow of new ideas that were eventually to liberate great sections of mankind from the darkness of past ages. Their great contribution to human progress came from conceiving and proclaiming the view that each and every human adult possessed the ability to be responsible for his own destiny; that individual freedom, matched with personal responsibility, was the mainspring of all human progress; and that if freed of the crippling and frustrating direction of central authority over

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their property, their skills, and their energies, people themselves would far better solve the problem of providing their own food, clothing, and shelter and at the same time abolish both waste and barbarism from their midst.

These were epic times, when the darkness of economic ignorance was lifted and to the minds of men were revealed the immortal principles of natural and economic law.

Freedom of Enterprise

Having discovered the principles, great minds now turned to fashioning the methods to implement such ideas. As has always been the case, they were violently opposed at every turn by established power and privilege. We owe a great deal to the eloquence and perseverance of men like Edmund Burke, the two Pitts, Cobden and Bright and the Free Trade groups of the early nineteenth century, along with many others, for the understanding and acceptance of the economic system combining private ownership with freedom of enterprise, and the individual's unrestricted right to compete for support from consumers, who themselves enjoyed unlimited freedom of choice to shop where and when they received the greatest value.

It was this radical change in the economic system that finally brought peace, progress, and liberty to Britain, the Commonwealth, the U.S.A., and all other nations that adopted it. The main effect of the system is to strip government of power over economic affairs and thus drastically limit its scope for coercion. With economic power dispersed over the whole population and economic affairs under the direction of natural and economic law, political leadership was at last stripped of both the temptation and the opportunity for violence against the property and life of the individual. Because the government was relieved of responsibility for the welfare of the individual, it no longer had to impose a drastic form of coercion upon his property, his skill, and his energies. The dispersion of economic power led to dispersion of political power under universal franchise and, eventually, to a vastly improved parliamentary system.

Few impartial observers will dispute the fact that the opening of the twentieth century saw leadership and the rule of law far more actively engaged in protecting the property, life, and liberty of the individual than at any other time in world history. Between all English-speaking countries, and many of their

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neighbors with whom they had fought for centuries, war had ceased completely. Trade and populations flowed about the world in proportions previously undreamed of by the wildest prophets.

In these fortunate countries, central authority was limited to a strictly protective role. Parliamentary leadership and the rule of law attempted, within the limits of human frailty, to function in harmony with the moral law, as laid down by Moses, natural law as evident all around us, and economic law as operated through private ownership of property and freedom of competitive enterprise.

It is surely worth reflecting upon the basic structure of society which made this progress possible.

The Foundations for Progress

For the individual, there were four cardinal requirements: self-reliance in productivity; self-direction of economic and personal affairs; self-discipline in all aspects of human conduct; and finally, self-respect for truth, for quality of leadership, and for the rights of others.

For industry and commerce, there was the obligation to place no obstacle in the way of expanding the system of division of labor and freedom of trade.

For all forms of political leadership, of which parliament is only one, there existed the gravest responsibility to exercise wisdom, tolerance, and honesty under the rule of ethical and impartial law. A constant duty was to confine authority to the role of protecting equally the property of the populace from theft and fraud, and their lives from violence and intimidation. Their task was not to administer the affairs of men but merely to dispense justice among men who administered their own affairs – to harmonize the use of parliamentary and judicial law with the irrefutable principles of natural, economic, and moral law – a fitting task for the most noble men of any land.

One major point should be perfectly clear. All the beautiful and idealistic words within the human vocabulary, all the political and judicial institutions that mankind can organize, are of limited value in the task of preserving liberty and peaceful progress unless they are created for the express purpose of defending four basic economic principles. These are individual ownership of property, freedom of enterprise, sanctity of contract, and freedom to compete for consumer support.

Parliamentary rule can be just as autocratic as the rule of kings unless it is devoted to such ends.

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No community has ever known liberty, democracy, and peaceful progress until it embraced this economic system. If any people who have known such freedom are foolish enough to allow their governments to regain extensive powers of confiscation of private property or the direction of economic affairs, they are certain eventually to lose both liberty and prosperity, once the reserves created by freedom have been exhausted.

The Urge To Control

Whenever the subject of leadership and law arises in debate, one argument invariably comes forward, namely, that we must have someone, or some group, to govern the country, to run everything; otherwise, there would be chaos. The advocates of this policy, and I fear they represent the majority of our population, demonstrate total ignorance of economic law and little respect for the noble quality of the human mind. Unwittingly they are returning to sixteenth-century standards of thought and knowledge.

This implies that people individually possess no sense of value in material things and no inherent moral standards—that force alone can show us right from wrong and that government control is the only way to achieve coherent progress. Such people fail to recognize their own economic power and the methods available for them to direct production, distribution, and exchange of all human requirements.

They fail to perceive that a most effective alternative method exists, which they and everyone else can use almost costlessly and effortlessly. This is the method of voting through their disposal of their personal resources. When permitted to buy and sell freely, they will have one consistent thought, namely, to get the greatest value in every exchange. Thus people, acting individually, can at the same time collectively produce a prime motivating and directing force for industries and commerce accompanied by a discipline for human affairs vastly superior to any coercive power from central government. Also, by this method, the population can establish conditions which insure that no one rises to material well-being without bestowing a continuous measure of service upon mankind everywhere.

In the field of human relations there is always one flaw in this method of free and voluntary exchange. It does not grant favors to anyone and has no use for loafers, drones, or those who prefer plunder to creative effort. Con-

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sequently, the predatory instinct, always just below the surface in human nature, will everlastingly try to find a way around such economic and moral law. Without the aid of central authority, predatory elements can have little success. But once let them succeed in enlisting such aid and they will quickly wreck the pattern of peaceful progress, enriching themselves at the expense of others.

Human history is a continuous record of this evil. Only briefly has any population escaped such troubles. Regretfully, granting favoritism to special groups has become the predominant feature of modern leadership, and the rule of law is being used extensively for plundering purposes. It is worth studying the lessons of Rome and Athens if we desire to know where such dubious standards will lead us. We seem to be treading the same paths in our individual and national affairs that brought disaster to both of these splendid examples of human association.

Many Requirements To Be Met

The lesson I would take from the history of the struggle for individual liberty and human progress is this: that it takes a combination of human activity to reach and preserve such treasured goals.

The production of finely worded charters gives cohesion to human ideals, thus creating a lofty pinnacle to attract the noblest spirit. The production of written constitutions gives guidance to the organizational requirements of community and national life. This also creates a banner around which future generations can rally when their personal freedom is menaced by predation in high places, as will inevitably happen. Constitutionalism can define the strict limits of the exercise of power by authority and make those limits defendable by the rule of law. An independent judiciary is essential to resolve human conflict in everyday affairs. Universal franchise can be used to choose the personnel of central authority but gives very limited opportunity for the expression of public will; as an instrument for directing economic affairs it is most unsuitable and highly dangerous. Parliamentary institutions, if properly constituted with strictly limited powers, can fulfill the need for leadership and the rule of impartial and ethical law. The one main objective of all must be maximum freedom of voluntary and responsible human cooperation in creative and peaceful endeavor.

Yet, it would appear that all the written laws in the world will not succeed in higher purpose, in defending liberty and progress, un-

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less they seek to preserve and improve the *only* system for directing our economic affairs that is consistent with economic and moral law. For mankind lives and expands by the fruits of its labors. Ample evidence exists that we have found this method in private ownership and freely competitive enterprise. I would conclude that the fate of mankind will depend upon whether the human race is wise and courageous enough to go forward to perfect the harmonization of individual freedom with personal responsibility – or so foolish and cowardly as to prefer irresponsibility and slavery. The irrefutable fact remains that in everything we do – as individuals, as a family, as a community, and as a nation – we must everlastingly make this choice. ◈

All By Himself

THE MORNING after Charles Lindbergh flew the Atlantic nonstop from New York to Paris, an associate of Charles Kettering rushed into the research expert's laboratory in Dayton, Ohio, shouting: "He made it! Lindbergh landed safely in Paris!" Kettering went on working. The associate spoke again: "Think of it – Lindbergh flew the Atlantic alone! He did it all by himself!" Kettering looked up from his work momentarily and remarked quietly: "When he flies it with a committee, let me know."

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To Whom It May Concern

THERE ARE fifty-two articles in this year's anthology of *Freeman* and *Notes From FEE* articles, *Essays on Liberty: Volume IX* (Foundation for Economic Education, 448 pp. $3.00 cloth, $2.00 paper). To review such a collection is always a problem in the disposition of the available space: the poor critic inevitably feels as though he were being asked to compress fifty-two healthy and pertinent responses into one. A manifest impossibility! However, one way to make a stab at accomplishing the impossible might be to construct from the articles the man whom the staff of FEE and *The Freeman* hopes to convince and then see how the articles as a whole apply to his predicament.

A Time for Decision

The man whom *The Freeman* hopes to change is uneasy about retaining a mind so open that the winds blow into it and out again from all directions. He is a little tired of being bought by the central government with his own money, though his conscience hasn't quite nerved him up to the point of doing something about it. He prides himself on being a small-d democrat, but he doesn't really believe that rights should be given or withheld on the say-so of 51 per cent of the voting public. He doesn't like to be called an extremist, but can he always stay in the middle of the road and still respect himself as a man of principle? He probably thinks the old central area of his city is pretty dilapidated, but he is of two minds when he sees his mayor carrying a tin cup to Washington and begging for "urban renewal" funds that are ponied up in part by people who live three thousand miles away from the region that is slated for reconstruction.

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Businessmen Wanted

If the man whom *The Freeman* hopes to reach is a businessman, he is probably getting the benefit of some subsidy or other. But privately this businessman must often wonder about the virtue of being "protected" by something that is calculated in the long run to create a bothersome surplus of the very stuff he is offering for sale.

This same businessman may have a guilty conscience because, in the seventies of the nineteenth century, a few bold enterprisers attracted to themselves the name of "robber barons." Having a guilty conscience because Jim Fisk and Daniel Drew once rifled the Erie Railroad treasury, the businessman may feel timid about coming out and saying that modern union officials are often guilty of practices that would have caused the pious Drew (who founded a theological seminary) to blanch.

Again, the business man may feel that his alleged possession of "market power" means that he must hire public relations men to create for him a good "image" as one who would never use power unethically. Yet, under a system where "market power" is entirely at the mercy of "consumer power," and hence must deliver in order to hold its franchise, the businessman may resent spending money on synthetic "image-making" as a sheer economic waste.

The Cost of Silence

The man whom *The Freeman* hopes to convert may like to "get along" with his fellows. But this desire for sociability is not always compatible with the responsible man's urge to stand up and be counted. The would-be responsible man may be ready for the gospel according to Ludwig von Mises, who has always been willing to risk his neck for what he believes. Sociable people have kept quiet about the inroads of inflation on their standards of living for the past thirty years. They have also watched passively while the cost of government has risen from an average of $56 per person in 1900 to an average of $615 per person in 1960. They may have groused to themselves about this high cost of government from time to time, but they haven't wished to appear hard-hearted about the "need" for government-dispensed charity.

The Welfare Burden

The person whom *The Freeman* hopes to reach may have been tempted in the past to undertake the "do-gooder" role. But with dead-beatism being exalted as a way of life (see the response of the professional do-gooders to the attempt of Newburgh, New York,

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to set up standards for city relief), this person must be growing skeptical of pushing "service to others" to the point of undermining self-reliance. He may be ready to reflect upon the fact that the "general welfare" clause of the U. S. Constitution has been perverted to permit all sorts of tax-supported "do-goodism" that Jefferson, Madison, Franklin, Hamilton, and the other Founding Fathers would have deemed arrantly unconstitutional. The erstwhile do-gooder may now be ready to entertain the proposition that tax-supported welfarism is an invasion of the rights of an individual to employ the fruits of his labor as he deems best – which, it should be noted, may include the private charity which some individualists frown upon.

Purposeless Citizens

The man whom *The Freeman* hopes to reach has probably been worrying about the purposelessness of many of his fellow citizens. But the spectacle of people thinking more and more in terms of compulsory national purpose must seem to him to have its totalitarian implications. The national purpose, when translated into such things as price control, patently becomes "people control." In emergent countries, such as those of mid-twentieth century Africa, exaltation of the national purpose works to undermine the conception of the individual as a creature of God. Instead, he becomes a creature of the emergent state – and a pushover for communist infiltration.

Taxation Affects the Market

The man whom *The Freeman* hopes to persuade is probably wondering why modern technological efficiency hasn't resulted in widening markets more than it has. And, in pondering the problem, he is no doubt ready to accept the proposition that taxes on business must be charged into the price of goods and services if they are to be paid at all. The less the tax, the lower the price and the wider the market – and the less the chance that capital will "want out."

As for the failure of foreign aid to improve the efficiency and economic capacity of "underdeveloped" nations, the potential *Freeman* convert should be more than ready to realize that it makes a difference whether the rulers of new nations import tractors or solid gold Cadillacs. Even John Kenneth Galbraith and Chester Bowles have arrived at the point of questioning the ability of foreign aid to take hold in countries that haven't developed traditional saving and investment habits of their own.

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Think on These Things

The foregoing portrait of the potential *Freeman* convert has been built up by abstraction from articles in this year's *Essays on Liberty*. It may seem odd that a majority of Americans don't already agree with the gist of the fifty-two articles. In the days of Madison and Jefferson practically every thinking citizen would have quickly grasped the distinctions set up in Clarence B. Carson's "Of Rights – Natural and Arbitrary." The electorate of the early nineteenth century which refused to vote for Albert Gallatin's proposals for a federally supported canal and highway system would have thoroughly understood John C. Sparks's "The Highway Dilemma" and Leonard Read's "Into Space and Beyond Criticism." But, as W. E. Sprague tells us in his trenchant "Danger: 'Mindtraps' Ahead," the socialist recruiter has rushed to benefit from the curious fact that America, with the most comprehensive education system in the world, has been strangely unable to inculcate respect for the principles of elementary logic. We don't think as clearly now as we did 150 years ago.

More than ever we fall for the appeal to majorities, the appeal to the "heart," the appeal to unanalyzed statistics, the appeal to "authority." We are still impressed with analogies that are not true parallels, with the *tu quoque* (or "You're another!") habit of name-calling, and with the "post hoc, ergo propter hoc" fallacy.

It's unrealistic to suppose that this year's *Essays on Liberty* will reach multitudes. But ideas aren't spread by sloganizing for the masses; they are spread by permeation – and by example. Hi there, *Freeman*-contributor Stanley Yankus under your Australian banana tree! In living like a free man, in undertaking the "hardest job" of improving yourself and your understanding of freedom, you are showing us all what to do. ◈

MAN, ECONOMY, AND STATE:

A Treatise on Economic Principles, by Murray N. Rothbard. Princeton: D. Van Nostrand, Two volumes. 987 pp. $20.00.

Reviewed by Henry Hazlitt

ONE of the unhappy casualties of World War I was the old-fashioned treatise on economic "principles." This was a work not too technical to be read by the intelligent layman, on the one hand, nor, on the other, like current textbooks, a choppy and oversimplified compilation of currently fashionable

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doctrine. One of the last of the species was Frank W. Taussig's *Principles of Economics*, first published in 1911. The spirit of that book was revealed in a passage from the preface:

"I have tried in this book to state the principles of economics in such form that they shall be comprehensible to an educated and intelligent person who has not before made any systematic study of the subject. Though designed in this sense for beginners, the book does not gloss over difficulties or avoid severe reasoning. No one can understand economic phenomena or prepare himself to deal with economic problems who is unwilling to follow trains of reasoning which call for sustained attention. I have done my best to be clear, and to state with care the grounds on which my conclusions rest, as well as the conclusions themselves, but have made no vain pretense of simplifying all things."

A Forty-Year Gap To Fill

It is the announced purpose of Dr. Rothbard's *Man, Economy, and State* (two volumes running to a total of 1,000 pages) to write in this spirit and "to fill part of the enormous gap of forty years' time." And he has succeeded. He has given us a work in the tradition of Taussig, Wicksteed, Fetter, Knight, and Mises, a comprehensive study of *principles*, which treats economics as a coherent edifice, not a fragmented study of "utility," "monopoly," "international trade," "labor," "agriculture," "public finance," and "linear programming." Such a unified edifice, as Rothbard explains, can be built only by treating economics as a deductive science using verbal logic. For "if economics proceeds by deductive logic grounded on a few simple and evident axioms, then the corpus of economics can be presented as an interrelated whole to the intelligent layman with no loss of ultimate rigor."

This was the method of the "Austrian" economists. It is the method of Ludwig von Mises. In fact, Rothbard, a former student of Mises, frankly takes off from *Human Action:* "From now on, little constructive work can be done in economics unless it starts from *Human Action*. . . . In one sense, the present work attempts to isolate the economic, fill in the interstices, and spell out the detailed implications, as I see them, of the Misesian structure."

Outstanding Contributions

What contributions has Rothbard made to the structure? He indicates some of them in his own preface. His book begins by deducing the entire corpus of economics

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from a few simple "axioms": "the Fundamental Axiom of *action* – that men employ means to achieve ends"; that "there is a *variety* of human and natural resources," and that "leisure is a consumers' good." Rothbard is not afraid to be old-fashioned enough to begin with "Crusoe economics" before he takes up interpersonal relations, and barter before he takes up indirect exchange through money.

One of the features of his consumption-and-production theory is "the resurrection of Professor Frank A. Fetter's brilliant and completely neglected theory of *rent* – *i.e.*, the concept of rent as the hire price of a unit service. *Capitalization* then becomes the process of determining the present values of the expected future rents of a good. The Fetter-Mises pure time-preference theory of interest is synthesized with the Fetter rent theory [and] with the Austrian theory of the structure of production. . . . One 'radical' feature of our analysis of production is a complete break with the currently fashionable 'short-run' theory of the firm, substituting for this a general theory of marginal value productivity and capitalization. It is a 'general equilibrium' analysis in the dynamic Austrian, and not in the static, currently popular Walrasian sense."

Rothbard also expounds "a completely new theory of monopoly – that monopoly can be meaningfully defined only as a grant of privilege by the state, and that a monopoly price can be attained only from such a grant. In short, there can be no monopoly price on a free market."

The Role of Time

So far I have adhered to Rothbard's own summary. But I am not sure he has done full justice to his own contribution. For example, I do not recall any book (with the possible exception of the works of Mises, Fetter, and Böhm-Bawerk) that gives so full a recognition to the inherent and omnipresent (but neglected) role of *time*, not merely in the explanation of interest, but in all economic activity. Rothbard constantly emphasizes time as an indispensable factor in all production, and as a necessary but "scarce" means to all our ends.

On a score of other major points, also, he contributes lucidity and light: his excellent description of the enormous benefits of a money economy over one of the direct exchange; his explanation of why a separate theory of "international" trade is unnecessary and why the "balance of payments problem" for a nation is no different from that for an individual; his rigorous exposition of a

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pure time-preference theory of interest; his mordant exposure of labor union fallacies; his beautiful explanation of why the free market, far from being "anarchic" or "planless," is the only organization under which true economic balance and order are possible.

What does Rothbard's book give us that Mises' does not? The question can best be answered by a comparison. One mathematician does not necessarily differ from another when he explores other fields or other specific problems. The chief difference between Mises and Rothbard is that the latter, treating at much less length some of the basic problems that Mises has explored more thoroughly, devotes a much larger part of his work to the refutation of opposing doctrines: some as found in the older works, such as those of Henry George, Veblen, Marshall, Fisher, Schumpeter, and Knight; but more particularly those found in the literature of the last twenty-five years – in the Keynesians, in the "mathematical economists," in W. W. Rostow, in Galbraith.

It is in the controversial part of his work that Rothbard is most stimulating. With the statistical and mathematical economists he is unsparing. He points out the arbitrary and unscientific nature of all index numbers, as well as the emptiness or deceptiveness of the equations in which the mathematical economists deal: "*In human action there are no quantitative constants.* As a necessary corollary, all praxeological-economic laws are qualitative, not quantitative." His exposure of the chief Keynesian doctrines is thorough, and his criticism of Galbraith is devastating.

Some Debatable Points

In discussing a book of such importance, with so much in it to praise, and with an instructive challenge on nearly every page to some "orthodox" or "unorthodox" doctrine, it seems ungrateful to call attention to flaws. Yet in a structure of thought of which the foundations are so carefully laid, and in the midst of an otherwise brilliant and penetrating discussion, Rothbard will suddenly announce some extraordinary conclusion based on a fragment of abstract doctrinaire logic. Examples are his sharp contrast between copyrights and patents, and his implication that the former might well be granted in perpetuity and the latter not at all; his conclusion that repudiation of government debt is no great evil; that it even has a "social utility," and the added advantage of making future government borrowing more difficult; his opinion that libel and slander ought not to be illegalized,

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and that even blackmail "would not be illegal in the free society. For blackmail is the receipt of money in exchange for the service of not publicizing certain information about the other person. No violence or threat of violence to person or property is involved."

It is hard to explain these aberrations. They are in such sharp contrast to the rest of the book that they seem almost as if stuck in by another hand. But they are practically all in the legal and political, rather than in the economic, field. The nearest I can come to a rational explanation of them is to assume that when Rothbard wanders out of the strictly economic realm, in which his scholarship is so rich and his reasoning so rigorous, he is misled by his epistemological doctrine of "extreme apriorism" into trying to substitute his own instant jurisprudence for the common law principles built up through generations of human experience.

I mention these lapses because I am certain that opponents of the book, and victims of his devastating refutations, trying to discredit so much that is brilliant and original and profound, will cite them with relish and with the implication that the rest of the book can be ignored. But it cannot be ignored. It is in fact the most important general treatise on economic principles since Ludwig von Mises' *Human Action* in 1949. ◈

From National Review (150 East 35th Street, New York 16), September 25, 1962.

Acting Individuals

THE FIRST TRUTH to be discovered about human action is that *it can be undertaken only by individual "actors."* Only individuals have ends, and can act to attain them. There are no such things as ends of or actions by "groups," "collectives," or "states," which do not take place as actions by various specific individuals. "Societies" or "groups" have no independent existence aside from the actions of their individual members. Thus, to say that "governments" act is merely a metaphor; actually, certain individuals are in a certain relationship with other individuals and act in a way that they and the other individuals recognize as "governmental."

MURRAY N. ROTHBARD,
Man, Economy, and State

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Prepared by VERNELIA A. CRAWFORD of the Foundation staff

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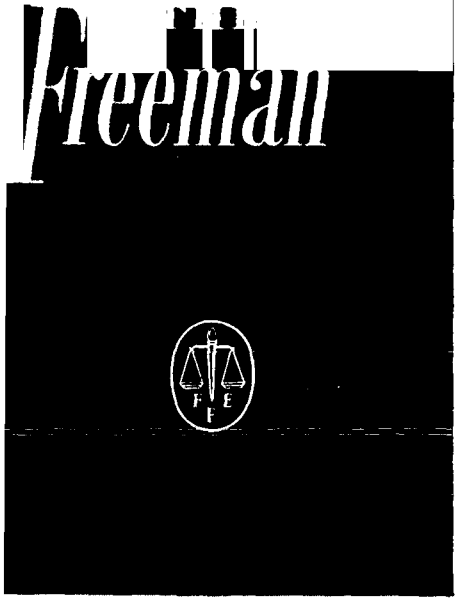

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